

BEQUEATHING OUR DEBTS

What it Means for Policyholders to Borrow on their Life
Insurance Policies—Reduction of Protection
to Widows and Orphans—Some
Possible Remedies

Views and Suggestions of Representative Newspapers, taken from their
Editorial Pages, following the Discussion on this subject by
the Association of Life Insurance Presidents



ASSOCIATION OF LIFE INSURANCE PRESIDENTS
NEW YORK, 1914

BEQUEATHING OUR DEBTS

THE widespread interest displayed by the newspapers of the United States in the matter of the increasing extent to which policyholders are borrowing upon their life insurance has led to the publication of many helpful editorials. In most instances, these discuss the causes and effects of policy loans, from the point of view of the policyholder, and also the general economic aspects of the situation. Remedies are suggested in some cases.

To the end that those in the business of life insurance may obtain the benefit of this newspaper discussion of one of our most important problems, we have made a compilation of extracts from some of the editorials. Lack of space prevented printing any of the editorials in full as well as making it impossible to reproduce even extracts from all of them. We have tried to select those portions of certain editorials, which, grouped together, would give a composite reflection of all that was written.

Some of these editorials were published in connection with articles on the discussion on policy loans at the Seventh Annual Meeting of the Association of Life Insurance Presidents on December 11th and 12th, 1913. Others followed the publication of a statistical report on the same subject issued by the Association in January of this year.

The thanks of the policyholders of this country and their trustees are due to the newspapers for the deep interest which they have taken in this problem and for their thoughtful co-operation in seeking a solution of it.

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EDITORIAL COMMENTS

TAKING MONEY FROM THE BABY'S BANK

Many loans—not all—obtained on the security of a life insurance policy may be likened to taking money from the baby's bank and not replacing it, for not more than eight per cent. of all the money borrowed in this manner is ever repaid except through the policy lapsing or maturing. . . . There is material for surprise when one considers the extent to which the practice has gone, as shown at the meeting of the Association of Life Insurance Presidents in New York. These loans are reported to have increased from one-third of one per cent. of the reserve funds of American companies in 1888 to sixteen per cent. in 1912 and to nearly eighteen per cent. this year. At the close of last year out of the three billion five hundred million dollars of reserve funds of all companies it is stated that five hundred and fifty million dollars had been loaned to policyholders. . . . If the companies did not permit such loans—and it is unlikely they could all be brought to consider such plan—there would be other and more expensive ways to the borrower to accomplish the same thing. . . . The problem, it is evident, is not easy of solution.—*Newark (N. J.) News*.

. . . A life insurance policy ought to be one of the most sacred things in a man's life. It is the stipend that he is laying aside for the protection of his family in case he should be suddenly taken away. To mortgage that providential fund ought to be not the easiest and the readiest thing to do, but the last and the most extreme. It is almost like taking pennies out of the babies' savings bank.—*Cedar Rapids (Ia.) Republican*.

MORTGAGING DEFENSELESS HEIRS

Instead of paying as we go, it is so much easier, if so much less wise, to borrow from posterity. Extravagance often goes hand in hand with improvidence; and this is an extravagant age in an extravagant country. That it is a rich country is perhaps some temptation, but no excuse. Various evidences, collective and individual,

attest this inclination to mortgage the future. What the indignant reflections of our posterity, who must shoulder the penalty in either or both added tax or depleted inheritance, does not disturb our blithe and free-handed unconcern. . . . An impressive sign of the times is the indictment drawn by the insurance fraternity—both companies and commissioners—against the startling increase in the tendency for the insured to borrow from their own heirs by dipping into the principal of the protection fund for their families. . . . It is the unbroken increase in this borrowing propensity that is the disconcerting element. . . . In part we may blame the cost of high living for personal and municipal necessities; but also in part there is indisputably reflected the cost of high living, individual or collective. Not the necessities, but the luxuries, mainly account for our temptation and our propensity to mortgage our defenseless heirs.—*Boston (Mass.) News Bureau.*

Few people, we take it, are in temper to consider counsel to be thrifty at a time like this when the spirit of the Christmas festival opens hearts and purses. Yet the need of directing attention to the growing evil of extravagance and consequent thriftlessness is nevertheless present. To meet the real or fancied needs of to-day people are increasingly drawing upon the fund laid aside for tomorrow, the rainy day when they shall need it. At the convention of life insurance presidents in New York it was shown that the borrowing of money on life insurance policies is constantly increasing. . . . Insurance men fear that a continuance of the borrowing policy will sap confidence in life insurance companies and they are concerned with the problem of how to discourage it. Their task, it will be recognized, is a Herculean one. They must, to succeed, make of a spendthrift people a thrifty one.—*Dubuque (Ia.) Telegraph-Herald.*

It was stated at a recent session of the Life Insurance Presidents Association held in New York that the number of persons holding life insurance who borrowed money on their policies was increasing to a disquieting degree. . . . As the total amount of such loans is already \$500,000,000, the prospect of its being materially increased is not a pleasant one, for the policyholder who raises a loan on his policy commits a dangerous and imprudent act. . . . There is no doubt that in many of the cases where the policy ha

been pledged the pledge is never redeemed, and either the policy is permitted to lapse or only a small part of the sum for which it calls is ultimately payable to the designated beneficiary. . . . *Lexington (Ky.) Leader.*

WIVES SHOULD MAKE INVESTIGATION

. . . There ought to be in each State some "statesmen" wise enough to see that to compel insurance companies to encourage policyholders running into debt is unwise, criminal, dishonest to the children and the wife. Pending such action, we advise the wives of insured men to find out just what value there is to the protection which insurance is supposed to give them, and just how much, if anything, the husband has borrowed on his policy—for every dollar thus borrowed will be taken away from the family in case of death. The whole system is preposterous—encouraging men to save money for the protection of their families—AND THEN BY LAW COMPELLING THE INSURANCE COMPANIES TO TEMPT SUCH MEN TO RUN INTO DEBT. . . . —*New York Evening Journal.*

BODY BLOW TO THRIFT

A report just issued by the Association of Life Insurance Presidents reveals the astonishing fact that insurers in this country have borrowed the immense sum of \$587,000,000 on their policies. . . . The most serious part of the outlook, however, is that in other years, not inflicted with industrial depression, these heavy borrowings occurred at intervals and there is a steady amount of it going on all the time. Such destruction of vast amounts of insurance is not only a body blow to thrift but makes for unhappiness and uncertainty in the home.—*Utica (N. Y.) Globe.*

. . . It is unfortunate that the loan provisions of life insurance contracts are operating to destroy their value. While such provisions have offered a medium of relief to men in times of financial stress, it was not calculated they would be employed except in cases of emergency. It is found, however, that unnecessary and frequent borrowing on life insurance contracts now results. It is another indication that the American people are ceasing to be thrifty. In fact, Americans are not noted for being thrifty in any time—much less in this generation. . . . It is well the officials

of the different companies are sending out warnings.—*Elizabeth (N. J.) Journal*.

. . . The convention of life insurance presidents, in session at New York last week, has given serious attention to these conditions. . . Insurance people are alive to the importance of discouraging such impairment of insurance values. It goes back, of course, to the great present-day problem of American life, extravagance. Forehandedness and real thrift seem to be virtues less and less prized in the race for quickly got wealth.—*Parkersburg (W. Va.) Dispatch News*.

. . . What is more disquieting is the statement that once a loan is made it is not apt to be repaid but, on the contrary, more will be taken out as the policy permits from time to time. Is this not rather painful evidence of failing thrift on the part of a substantial body of the people?—*Providence (R. I.) Journal*.

. . . The increase of the borrowing of money on life policies is believed to be the result of extravagant living on the part of the insured. It is not commendable and should be discouraged by life insurance companies. The real purpose of life insurance is, and should be, to provide for the support of wife or dependent family in case of the death of the insured. . . What a deplorable comment this is on the extravagance of thousands of American people.—*Rock Island (Ill.) Argus*.

AMERICANS LIVING BEYOND THEIR MEANS

. . . There is just one answer to this astounding encroachment upon a protective investment—the American people are increasingly living beyond their means. . . The report of the Association of Life Insurance Presidents tells us that, as the result of this unusual expansion of borrowing on life insurance, beneficiaries will be deprived of more than half a billion dollars of life insurance protection. This prediction, by the way, can be safely made because experience shows that a large proportion of the insurance protection thus withdrawn is never replaced. Making all due allowance for the possibility of profitable re-investment for this borrowed money, the inevitable loss and waste implicit in this

practice must total to many, many millions. When one considers the extent to which American husbands and fathers have recourse to life insurance as the one sure guarantee of their families against impoverishment this astounding increase of the practice of borrowing on life insurance appeals as most inhuman and sinister. Evidently the mania for living beyond one's means has reached a point where it no longer balks at the threat of a beggaring death.—*Milwaukee (Wis.) Free Press*.

. . . Such a practice is not in keeping with the ideals of life insurance companies and they are doing well in striving to make their policyholders see the danger of it. Probably the basic trouble is in the present transitory tendency of people to live up to the amount of their income. Instead of basing their mode of life on what they can afford they are limited only by their inability to spend more than they possess. While fortune smiles things go along smoothly enough, and they usually carry sufficient life insurance to make them feel that they are protected. When some misfortune comes of a business nature, or sickness or something else, these improvident people are often too ready to avail of the borrowing opportunities of their insurance policies. Hence the great increase explored by the insurance companies—and justly.—*Cambridge (Mass.) Standard*.

How prevalent the habit of living up to or even beyond income has become, is indicated by the tremendous expansion of loans upon life insurance policies which was brought to attention at a recent convention of life insurance men. . . . The total provision for dependents or for old age, made through outstanding policies, is impaired to the extent of the more than half a billion dollars that is the total of the loans. Not alone for government are economy and retrenchment necessary. The time is long overdue when individuals must resume the old-fashioned habit of living well within their incomes if that be possible, or at least not beyond them.—*Albany (N. Y.) Journal*.

One who does not realize that as a nation we are living beyond our means, needs but to examine the annual reports of the life insurance examiners. Borrowing money on life insurance is—or ought to be—a last extremity. . . . Reckless extravagance is

a national characteristic. But when it carries us too far it always has led and it always will lead to most undesirable results, to forced and sudden curtailments which are extremely uncomfortable. When those times come they are inexpressibly harder if one must realize that the one safeguard of the family has already been impaired. It is a danger signal, this increased borrowing on life insurance policies.—*San Diego (Cal.) Union*.

DEFEATS THE PURPOSE OF LIFE INSURANCE

The Association of Life Insurance Presidents calls attention to the rapid increase of policy loans in recent years. . . . The magnitude of this loss of protection to dependents can be better appreciated by a few comparisons. Half a billion dollars is in excess of the total amount of ordinary life insurance in force in any single State on December 31, 1912, excepting the States of New York, Pennsylvania, Illinois, Ohio and Massachusetts. . . . The Association is serving an excellent purpose in calling attention to the increase in policy loans. . . . Life insurance companies are justified in attempting to discourage policy loans. Figures show that they too often defeat the real purpose of insurance.—*Portland (Ore.) Journal*.

. . . The whole aim and object and purpose of life insurance is defeated if this sort of thing is permitted to go on. Policies should not be treated or regarded as securities for borrowing money except in extreme emergencies. Certainly they should not be used as securities in business transactions, for it is a question of law as well as of fact, if the policyholder has a right so to use his policy without the knowledge and consent of the beneficiaries. . . . Now, if a policyholder borrows money on his policy, even at the current rates of interest for loan money, and if he borrows only a quarter of the face value of his policy, he is practically doubling the premium rate for the entire policy. For instance, if \$1,250 were borrowed on a \$5,000 policy that was issued under normal conditions, it would practically mean that the borrower was paying premiums on a \$10,000 policy. . . . —*Boston (Mass.) Evening Globe*.

The habit of living up to or even beyond income is indicated by the increased demands for loans on life insurance policies which

was brought to attention at a recent convention of life insurance men. . . . At present the policyholders have virtually the right to demand loans, on their policies. That right has been freely exercised to raise funds for miscellaneous purposes. Such use of it has a tendency to defeat the purpose of life insurance. Each policy's value is impaired by so much as is the loan against it which, once placed, is more likely to remain than to be repaid.—*Portland Me.) Telegram.*

The warning issued recently by presidents of great life insurance companies against the system of obtaining loans on policies was timely. As they say, but a small proportion of these loans are ever repaid, the result being that the protection intended for widows and orphans is withdrawn, defeating in large measure the original purpose of the policy contract. . . . —*Helena (Mont.) Record.*

. . . And undoubtedly the privilege has been of great value to some people. But it seems that only a small portion, say ten per cent., of such loans are ever repaid. Thus the value of the policy is impaired, and in many cases the whole is forfeited. . . . The object of insurance is the protection of the family in the case of the death of the person insured. Such protection is easily destroyed or lessened if the practice mentioned becomes too general. . . . —*Lynn (Mass.) News.*

LITTLE LESS THAN ROBBING BENEFICIARIES

One dangerous method of gambling with the capital which should long to posterity is attracting close attention of the life insurance companies, which have appointed a committee to investigate the spreading and evil practice of borrowing on life insurance policies. . . . A man who borrows money on his insurance policy desperately takes chances with the protection which he has supposedly arranged for his widow, his children or other dependents. Borrowing on an insurance policy is almost certain to lessen that protection to a great extent, for it has been discovered that not more than ten per cent. of the money that is secured as a loan from the insurance companies by policyholders is ever repaid. . . . The Association of Life Insurance Presidents has undertaken a campaign to reduce the borrowing habit among policyholders. Here is

grave need for a campaign of education. Borrowing on life insurance policies is little less than robbing those who may be in want after the present generation is gone. It is a practice little short of criminal and one that to a large degree nullifies all the protection that life insurance offers. It cannot be discouraged too strongly.—*Hartford (Conn.) Post*.

. . . The thing to be guarded against is reckless borrowing. Depreciating the value of an insurance policy for purchasing an automobile, or for social extravagances, or for precarious investments, is almost on a par with actual theft from the beneficiaries. It is usually persons whose dependents are in need of the protection that borrow on their policies for the most reckless purposes. A policy should be held sacred for the benefit of those who are left to struggle with the world after the death of the insured. That was the original purpose of the holder of the policy, and all temptation to subvert that end should be resisted unless some tangible gain can be secured by depreciating the value of the policy through borrowing. Protection of dependents should be kept in mind at all hazards.—*Wilkes Barre (Pa.) Record*.

Insurance companies, while very ready to lend money on life insurance policies, are beginning to take a very sensible attitude on the matter in issuing warnings as to the very large increase in the practice and the corresponding fact that the payments on these loans are very slow in forthcoming, the borrowers seeming prone to keep up the interest payments only, while the principal of the policy remains decreased. . . . With many men the life insurance policy they hold constitutes the entire estate which they may leave to their family at death. To impair it by borrowing is to impair the future protection of the family in the event of an unexpected demise, and is not a mere temporary accommodation personally, but almost a robbery of comforts for those who may remain behind. Going slower on life insurance loans will be the best policy for many American citizens to follow. . . . —*Taunton (Mass.) Gazette*

. . . The tendency of policyholders not to repay loans from insurance companies and the fact that over a half billion dollars is now outstanding in such form present a real problem to insurance companies. The policyholder is robbing the beneficiary

meet business needs or to indulge in extravagance, thus defeating the prime purpose of insurance. . . . —*Oklahoma City (Okla.) Times.*

The life insurance companies are directing attention to the growth of a practice among a great many policyholders that they regard as a deplorable evil and are agitating the matter of taking some concerted action to put a check on it. This is the borrowing of money on policies. True, that is a privilege that the policyholder is entitled to exercise, but in so doing he defeats the very purpose for which he takes out life insurance by reducing, according to the amount of his loan, the protection and benefits of the same, unless he should make repayment, which only about ten per cent. of these borrowers do, according to the reports of the companies. . . . It is obvious why the effect should be inimical to that business when so many policies return but a portion of their face value to the beneficiaries either at the time they mature or become payable because of the death of the persons on whose lives they are written. Disappointment is certain to be entertained in such cases, while it is frequently the fact that the borrower gets tired of paying the interest on the loan he has secured on his policy, in addition to the premium on the latter, and allows it to lapse. . . . —*Fall River (Mass.) Globe.*

PAWNING PROTECTION OF FAMILIES

When a sudden demand is made for an unusual sum of money the holder of a life insurance policy is tempted to pawn the protection he has built up for his family, and as sudden demands for unusual sums of money are growing more frequent among us year by year policy loans are increasing in volume. . . . The life insurance presidents hold out no suggestion as to checking this growing custom, but a general campaign against it may yet be necessary in the interest of those for whose benefit life insurance exists.—*Syracuse (N. Y.) Post-Standard.*

Life insurance has advanced tremendously in recent years. It has improved its methods materially. Prejudice against it has almost disappeared. It now enjoys unprecedented favor, both as a protection and as an investment. . . . A man might negotiate a loan on his life insurance policy to finance a sickness or a funeral,

but he does not do it to pay the grocer, the butcher or the clothing bill. In general, it is said to be not the high cost of living but the INCREASINGLY EXTRAVAGANT WAY OF LIVING THAT PROMPTS SO MANY AMERICANS TO PAWN THE PROVISION THEY INTENDED TO MAKE FOR THEIR WIDOWS AND THEIR CHILDREN OR FOR THEIR OWN OLD AGE.
 . . . —*Cleveland (O.) News.*

The presidents of the big insurance companies of the country are holding a convention in New York, and some interesting facts are coming out in the speeches about life insurance. . . . Not one out of ten men who pledge their policies for loans ever pay back the money. It is gone for good, and their families have just that much less in case of death. The presidents are talking long and patiently how to overcome the habit of putting policies in pawn in this way. It would be interesting to know how much of the half billion dollars went to pay for necessities, how much for the purchase of homes, how much for automobiles, and how much simply represented hard luck.—*Gary (Ind.) Tribune.*

BORROWING FROM THE WIDOW

The convention of presidents of life insurance companies, in session in New York to-day, has before it among other things the vexing problem of the mortgaged life insurance policy. . . . The life insurance presidents do well to consider this problem. They do well to discuss ways and means of lessening the evil. They do well to sound an alarm in the interests of the bereaved dependents who must pay all these millions in loans if the policyholders do not. Your life insurance policy is a sacred trust. It is a fund for the protection of your loved ones when you die. When you borrow money on it with the policy as security, YOU ARE BORROWING FROM YOUR OWN WIDOW AND YOUR OWN ORPHANS. And when you are dead you cannot pay. Think a little deeper about that loan on your policy, Mr. Policyholder. Pay it if you can. Reduce it, anyway. Don't leave your widow and orphans the legacy of a bad debt—with you as the debtor.—*South Bend (Ind.) Tribune.*

. . . The abuse is, of course, within the rights of the policyholder, but he is abusing his future or the future of the beneficiary, as

experience shows that scarcely ten per cent. of the money so borrowed is ever paid back and often policies lapse because of this practice. The mere statement of the fact that loans upon policies have increased from \$19,000,000 in 1888 to \$587,000,000 in 1912 is sufficient to show the extent of this unfortunate practice of robbing Peter to pay Paul. Here is a vast problem representing a condition that publicity of its gravity ought to serve to check.—*Baltimore (Md.) American*.

The theory of life insurance is that it is for the protection against some calamity or hard times. At the death of the breadwinner the insurance becomes a protection to the widow and the children. Or the policy matures when the earning capacity of the breadwinner is on the decline and the money comes in to tide the insured through to the end. With this theory in mind, the amount of loans against the comfort of widowhood and old age appears stupendous. . . . Probably a share of the borrowing is made to meet contingencies for which the insurance was taken in the first place. But much must stand for loss and suffering, because the loans were made.—*Utica (N. Y.) Observer*.

KEEPING UP WITH THE PROCESSION

. . . That means that policyholders have been borrowing big sums on their policies, borrowing on the future, and paying interest. The amounts borrowed must come out of the returns of the policies at maturity or at death of the holders. It is not a good showing and a bad practice, but then there has been a mighty urge to keep up with the procession in the last twenty-five years, something of the strength of which may be seen in the growing loans on life policies.—*Youngstown (O.) Vindicator*.

. . . Extravagant living, the struggle to keep up with one's fashionable neighbors, is as disastrous as the struggle to keep up immense armaments, which are bringing European powers to the verge of bankruptcy. Gone are the days of thrift and modest living. Life is one long pretense, a keeping up of appearance until comes the tragedy so often seen in the wanted column: "A middle-aged woman of refined appearance wants a position as housekeeper. Good home rather than wages." Behind many of these announcements

will be found an insurance policy with such a heavy loan on it as to leave just enough for funeral expenses.—*Springfield (Mass.) Homestead*.

. . . Extravagance, as a national trait, is no more clearly shown than by these statistics. There is much merit in the proposition to make borrowing on policies less easy of accomplishment. Borrowing on them is seductive. They are not actively and constantly urging repayment like the private creditor or endorser, and yet time slips around and in due season cuts down the tardy borrower, who thereby escapes regret, but at the expense of his bereaved family.—*Williamsport (Pa.) Sun*.

. . . The rising line of loans corresponds fairly well with the rising cost of living; and it also corresponds fairly well with the automobile fever. . . . Once a loan is made on a policy, there it remains, and is found cutting down the family insurance fund when the policy becomes payable, usually when it is most needed. On the total business of thirty-nine leading companies the average ratio of policy loans to reserves at the close of 1911 was 15.98 per cent. Kansas is one of 28 States where the ratio exceeded this figure, the ratio of loans to reserves in this State being at that time 16.78 per cent. The principle of life insurance is present sacrifice for a future good. Do these figures indicate a decline in the spirit, or a necessity that leaves choice out of account? Does it mean a reign of pleasure and indulgence or hard times; high living or high-cost living? The purposes for which the loans were made would show, but these purposes as a rule are not reported to the insurance companies.—*Topeka (Kan.) Capital*.

LUXURIES VS. LIFE INSURANCE

. . . To hold the business the companies gave loans on policies to enable those who otherwise would have to drop out to keep the protection for their families. It has happened, though, that the primary object has been lost sight of by policyholders. To-day loans are asked for many reasons other than retention of protection. Many loans are secured for the payment of debts that never should have been allowed to accumulate, for business expansions of questionable wisdom and even for the purchase of luxuries. . . . —*Portsmouth (N. H.) Times*.

The Association of Life Insurance Presidents in session in New York is discussing questions that are of interest in hundreds of thousands of American homes. . . . But the demands of an extravagant age have prompted borrowing on policies for far different reasons. Many an automobile has been bought with the money which should have remained in the fund created for the benefit of the wife and children in the event of the death of the head of the house. It is well for the presidents of the insurance companies to call attention to this matter and to urge reform. . . .
—*Waterville (Me.) Sentinel.*

An unhealthy sign is manifested in American life by the rapid and steady increase in loans made upon life insurance policies. This may be justly taken, not so much as an indication of bad business conditions, as an increase in extravagant living on the part of the families of men who carry life insurance policies. The carrying of a life insurance policy is an absolute necessity, by men who can possibly pay the premium and who have other people dependent upon them. Perhaps there was some discussion, years ago, as to the advisability of carrying a life insurance policy, but that question is not open for discussion now. An insurance policy is part of the foundation of every thrifty life. . . . But, borrowing money on an insurance policy is not good business, unless the necessity is urgent. When loans of this sort are made in so many different parts of the country, and made so often, a state of affairs is indicated which does not speak well for American life. This condition indicates that America is suffering from the cost of too much high living and that some people who are not able to do so, are enjoying luxuries and conveniences which their income does not justify. . . . —*Montgomery (Ala.) Advertiser.*

. . . Men borrow close up to the cash value of their policies to buy motor cars, to take their families abroad, to indulge themselves in other ways. They may be able to afford the motor cars, the tours and the indulgences, but, of course, as the insurance companies have pointed out, the loan made on the policy extracts from it the protection to the policyholder's family—the very thing for which he took out the policy and has been paying his premiums. . . .
—*Washington (D. C.) Times.*

Borrowing on insurance policies is a habit which is growing in this country. It should be discouraged. . . . In the spending era at which we have arrived few think of the solid advantages of an intact insurance policy as compared with one loaded up with loans. The habit of borrowing from the most convenient available source is a symptom of the financial heedlessness of the day. Cities, States and nations are borrowing almost up to the limit of their interest paying powers, and individuals naturally think they can do likewise. . . . The object of insurance being to equalize the shocks and multiply the incentives to thrift, any question involving it is of general interest.—*Paterson (N. J.) Chronicle*.

HAZARDOUS WASTE FOR CURRENT EXPENSES

The unwisdom of borrowing money on life insurance policies has just been shown in an impressive manner by the results of an investigation made by the general counsel for the Association of Life Insurance Presidents. . . . These figures call attention to the folly of obtaining money upon the life insurance policy that should be held as a sacred trust for the benefit of the family of the insured. . . . The fact that one can have his life insured and at the same time be able in the hour of trouble to get needed cash upon his life insurance policy, is one of the best features of modern life insurance. But too many have taken unwise advantage of this convenience. Hundreds and perhaps thousands have borrowed money for speculative purposes, or have consumed the fund for luxuries which were beyond the means of the borrower. Many policies have been milked dry during the lives of the insured and have been practically worthless at the time when they should have provided legacies for the helpless. There is a general sentiment among insurance companies to-day to discourage policy loans. This seems wise. It is hazardous waste for current expenses or for business undertakings of the fund that should be held as a safeguard for the future.—*Scranton (Pa.) Republican*.

. . . At the recent meeting of the Association of Life Insurance Presidents attention was called to the rapid increase of policy loans and a later report by that Association gives further details of the increase not only of policy loans, but of the per cent. of outstanding loans as compared with reserves. . . . Many

sermons on American extravagance have been preached in recent years, but few more impressive than these figures showing the dissipation of this form of savings. Some of the borrowed money, of course, goes into other investments, but the most is unquestionably wasted.—*Asheville (N. C.) Gazette-News*.

BORROWING ON A POLICY IS BAD POLICY

Borrowing money on a life insurance policy is a bad policy and the companies are beginning to protest against it. The practice has attained the proportions of a genuine evil. . . . The insured simply gets the money and blows it in and there is nothing for the beneficiary when the policy is allowed to lapse. The companies would do well to discourage the practice, which, it is to be feared, has had too much encouragement from their agents in the past.—*Lowell (Mass.) Morning Courier-Citizen*.

. . . Of course, it is easy to understand why business men avail themselves of this avenue of raising funds when a particularly good opportunity for an investment is presented to their notice. Alas, that the "good thing" so seldom proves itself, probably only one in ten, according to the available statistics. Too expensive habits are another incentive to get "easy money" and in view of these facts life insurance presidents consider it to be their duty to the public to make it more difficult for the insured to hypothecate the funds that have accumulated in the reserves. Just what form this protection will take we are not advised; doubtless there will be many conferences of the insurance executives before a definite plan is evolved, but on general principles we should say the tendency noted should be discouraged as against public policy.—*Pasadena (Cal.) News*.

LIFE INSURANCE POLICY SHOULD BE HELD SACRED

. . . People used to have the notion that an insurance policy was not to be drawn upon except as a last resort. Doubtless most people still believe they are proceeding on that theory, but exaggerate the importance of every family crisis. A family ought to give up all its luxuries, move into a house that will match the income, no matter at what cost to pride, ought to cut away the last vestige of the old life before it would touch the insurance policy. That should be held sacred. . . . —*Springfield (O.) News*.

. . . The only safe way is for the holder of a life insurance policy to regard it as a sacred trust which must not be infringed upon except under conditions involving the direst necessity. This should be the very last resort, and the temptation to raise some easy money thereby for any object that is less than absolutely imperative should be steadfastly resisted. Every policyholder should regard this fund as one belonging not to him but to his wife and family. That same solicitude and foresight which prompted its accumulation should be effectual to secure its preservation. . . .
—*Philadelphia (Pa.) Inquirer.*

FAMILIES KEPT IN IGNORANCE

. . . The construction placed by the life insurance presidents upon these figures—that they indicate a growing tendency to extravagance on the part of the American people—seems logical and reasonable. . . . The most deplorable phase of this borrowing mania is the injustice it works to the families and dependents of the policyholder. In innumerable instances, as was pointed out at last week's meeting, the families are kept in ignorance of the loans, and when the policyholder dies they discover that they have lost all or part of the protection which the policy afforded them. . . .
—*Wheeling (W. Va.) Register.*

. . . If we had the power, we should make it impossible for any policyholder to BORROW A SINGLE DOLLAR ON HIS POLICY, unless it were just enough to pay the premium in the event of his being unable to take care of that premium. . . . It is a system absolutely ruinous to women and children who depend upon insurance. And it is unjust and oppressive to the insurance companies, causing them to be unjustly suspected. Over and over it happens that some woman whose husband has suddenly died, leaving her with young children, appears with her life insurance policy, expecting to get the full amount of the policy. She is told—quite truthfully—that her husband had borrowed the money before he died, that his policy is worth very little. She is told also, which is true, that the law actually compels the life insurance companies to lend money in this way—giving to the insured to be squandered or used in speculation that which should be the family's protection. . . . The funds of life insurance companies should be kept intact

for the benefit of the insured—not paid out in loans that encourage policyholders to run into debt and forget the very purpose for which life insurance was instituted. . . .—*Atlanta (Ga.) Georgian*.

. . . It is recognized by the life insurance men that if this tendency shall continue, confidence in insurance will be lost. Very many men, it is explained, make loans on their policies without their families knowing of the fact. At death, therefore, the facts are realized by those who expected to be the beneficiaries. That kind of experience is certain to injure the repute of insurance as a protection to the family. . . . —*Philadelphia (Pa.) Times*.

. . . Many a wife, not in the confidence of her husband, is deluded in the belief that she will get the face of her husband's policies at his death—deluded because he has, without her knowledge, borrowed to the limit on the policies. . . . A writer in the *Chicago News* suggests that there should be a general revival of the crabbed philosophy of Poor Richard. "He that goes a-borrowing goes a-sorrowing," says Poor Richard. And he says again: "What maintains one vice would bring up two children." Also Poor Richard gives this stern rule of conduct: "Rather go to bed oppressed than rise in debt." Of course, such harsh words are repellent to a generation that is not given to denying itself anything within reach and that blithely goes in debt on the slightest provocation. But they are as true now as they were when the wise and whimsical Ben Franklin addressed them to his fellow-Americans.—*St. Joseph (Mo.) News-Press*.

There is no more telling indication of the extravagant tendencies of Americans than the showing that borrowing of money on life insurance policies is constantly increasing till it has come to alarm insurance executives. . . . The convention of life insurance residents in New York has given serious attention to these conditions. . . . It is recognized by the life insurance men that if this tendency shall continue confidence in insurance will decrease. Very many men, it is explained, make loans on their policies without the knowledge of their families. At death the facts are realized by those who expected to be the beneficiaries. That kind of experience is certain to injure the repute of insurance as a protection to the family. Insurance people are alive to the importance of dis-

couraging such impairment of insurance values. It goes back, of course, to the great present-day problem of American life—extravagance.—*Baltimore (Md.) News*.

POLICYHOLDERS SHOULD THINK TWICE

. . . It may be that the remarkable period of industrial development in the last twenty years, and particularly in the last decade, has furnished a temptation to policyholders to borrow on them at a low rate of interest in order to invest the money on prospects of a higher rate of interest. Most of the loans, however, probably grow out of a temporary need of money due to unemployment or some unexpected misfortune. The finding that not over ten per cent. of loans on policies are ever repaid should at least cause policyholders to think twice before using their policies as security.—*Tacoma (Wash.) Ledger*.

Half a billion dollars of life insurance protection has been taken away from the wives and children of the country by the habit of borrowing on life insurance policies. These figures are the result of a recent investigation by the Life Insurance Presidents' Association. . . . Under persistent solicitation appealing to the feeling of moral obligation many policies are taken out by men with no self-control in money matters. They never judge of an expenditure by its relation to their total income. If the money is in their pocket, it is right to spend it. The fact that a premium payment is due next month is ignored. . . . —*Salt Lake City (Utah) Herald-Republican*.

BORROWING WITHOUT LENDERS' CONSENT

A timely warning with regard to the practice of making loans on life insurance policies is sounded by the Association of Life Insurance Presidents. . . . The whole aim of life insurance is protection for the family or others who are dependent upon the insured—provision for loved ones when their support is removed by death. But under the circumstances described it is utterly failing of that result. The money that it was intended to pile up for protection of dependents is used by the insured himself in various ways. . . . The warning the Association has uttered is much to its credit. It ought also to give the policyholder something to

think about. Has he any moral right to borrow from his widow without her consent?—*Columbus (O.) Dispatch.*

It has been a cause of great satisfaction to the public that life insurance has become so general in this country. It has kept above the poverty line millions of our people left otherwise destitute by the death of the family breadwinner. . . . This borrowing by policyholders is no detriment to the companies. . . . But in the interest of the supposed beneficiaries of these policies, and of the public, upon which rests the burden of providing for the unfortunate, the officials of the companies earnestly protest against the practice of borrowing on policies and urge that it shall cease except in cases of the most imperative necessity.—*San Francisco (Cal.) Chronicle.*

. . . . When a man borrows on his policy, he expects to pay back soon. This investigation by the insurance presidents showed that few of these loans are ever repaid. The modern married woman is ill-fitted to cope with the world. The time that might have provided her with a breadwinning equipment, has gone to service to husband and children. It is a pretty mean-hearted man who does not do everything possible to leave some degree of comfort behind him, and to leave it intact, unmortgaged either by personal extravagance or business ambition.—*Cheyenne (Wyo.) State Leader.*

. . . . Surprising figures also are presented in a paper by President Childs, of the Columbian National Life Insurance Company, which indicate a growing habit of borrowing upon policies. . . . Besides constituting a serious drain on the funds of the company this practice indicates poor business judgment on the part of the policyholder. The value of his policy is materially decreased and those dependent upon him are afforded just that much less protection. In many cases the loans are made without knowledge of the policyholders' families or other beneficiaries.—*New Britain (Conn.) Herald.*

REMEDIES SUGGESTED

. . . . It is unfortunate that the kind of borrowing in question cannot be checked in the vast extent to which it prevails. But the

life policy, according to its terms, is a certificate of credit, and legislation could scarcely differentiate in treating it. But if life companies would draw the line more strictly and discourage such loaning except in the case of proof of imperative need, it would go far. One company, however, could not do it unless all its important rivals did the same.—*Montclair (N. J.) Times*.

The meeting of the Association of Life Insurance Presidents at the Hotel Astor was of decided interest and some very plain truths were told at the sessions. Particular attention was paid to the growing tendency of policyholders to mortgage their policies. . . . It is a pity that such statements are absolutely true, but they are. We agree with Mr. Childs that some drastic action is necessary in order to put an end to the evil.—*Long Island City (N. Y.) Star*.

. . . We imagine, however, that the rapid growth in the volume of money outstanding in loans to policyholders is due in part to the growth in knowledge of what a life insurance policy really is. It has come to be regarded as an investment with saving as well as loan features. Incidentally there is no better security from the company's standpoint, than policy loans. Some underwriters would welcome a law or regulation empowering the companies to take advantage of notice of either sixty or ninety day Savings banks are thus protected from runs.—*New York Commercial*.

. . . Much of the money goes into enterprises which materially benefit those dependent on the policyholder. Take, for instance, the case of a man whose business is suffering from temporary depression. By pledging his insurance, he is enabled to raise sufficient funds to carry it over the stormy period and make a success of it. It would be folly for that man to set his face against borrowing on his insurance. . . . It is true, of course, that a large proportion of the money secured by pledging policies is wasted or diverted from the beneficiaries. It is true, too, that the practice is growing and that it is a tendency which ought to be discouraged. A sufficient corrective, however, will be the application of a few common-sense rules designed to safeguard the interests of those for whose benefit the policies are issued.—*Springfield (Ill.) State Journal*.

BORROWING VALUES OF POLICIES SHOULD BE SUBORDINATED

It is a highly important and valuable service the Association of Life Insurance Presidents is rendering the public in its endeavor to halt the growth of the practice of borrowing upon life insurance policies. . . . The protection that ought to be given the family impaired and sometimes practically destroyed through this system of borrowing and any effort that promises the lessening of this growing evil will be welcomed and encouraged by all thoughtful persons. Would it not help toward the desired end if the life insurance companies directed their agents in soliciting business to subordinate the borrowing value of their policies and emphasize their value in giving solid and permanent protection?—*Montpelier (Vt.) Journal*.

A report made by Robert Lynn Cox, formerly of Buffalo and now general counsel of the Association of Life Insurance Presidents, of the amount of loans made against policies and the effect on beneficiaries contains some surprising statistics. . . . What this borrowing costs beneficiaries is shown by the fact that the returns to the companies by borrowers do not exceed ten per cent. . . . How this situation can be remedied is not apparent, unless the companies greatly reduce or eliminate altogether the loan value of policies. But it is to be borne in mind that many insurance agents who sell life policies make much of the loan value of their policies, pointing out with great force that money can be had on the policies any time at a low rate and be kept as long as it is needed. The insurance presidents might help a little by forbidding their agents to make so much of the loan value feature.—*Buffalo (N. Y.) Press*.

EDUCATION RATHER THAN LEGISLATION

. . . Reports show that not more than ten per cent. of the money borrowed on insurance policies is ever repaid. The rest stands virtually as a charge against the estate, to be paid too often from the small sum left the widow and children. The policyholder mortgages the future, not of himself, but of those for whom he took the policy, whose interests should be paramount with him. It is not a matter to be controlled by law. . . . Public opinion must control the matter. Insurance officials do well to call attention to it.—*Cleveland (O.) Plain Dealer*.

. . . If the insurance companies can overcome this borrowing evil they will have accomplished a great reform. . . . How the companies can prevent this tendency except by moral suasion it is difficult to see. . . . —*Harrisburg (Pa.) Telegraph*.

. . . Of course, if the policy is made payable to the wife in event of death her consent is usually necessary to secure the loan. But too often this consent is readily obtained because the automobile contributes to her pleasure as well as to that of her husband. She discounts the future prosperity which is to take care of the loan. To protect his family by life insurance is a sacred duty that every husband and father owes to those dependent upon him, and it should be an equally sacred duty to keep that insurance unimpaired. The policy should never be resorted to for a loan except for a dire necessity, and then the same motive that prompts the payment of the premiums should stimulate a desire to repay the loan. . . . In the correction of this as in the correction of other present-day evils the remedy is in the education of the people rather than in legislation.—*Nashua (N. H.) Telegraph*.

The Capital some time ago commented on the great increase in loans on life insurance policies, which the managers of the large companies regard as a serious condition. The trouble is that the equities represented by insurance payments are squandered to satisfy the craze for pleasure and so the savings of life insurance go to buy automobiles and other purchases that the buyers cannot in fact afford. Now comes the *Atlanta Georgian* and demands that the law stop this thing by prohibiting the insurance companies from loaning on their policies. But the remedy does not meet the disease in several respects. . . . This is a matter for the use of common sense and good judgment by the policyholder and beneficiary. They can do what they will with their own, and no law can fairly prohibit them; neither can the policyholder be gifted with good sense by an act of the legislature.—*Topeka (Kan.) Capital, March 9, 1914*.